



Press Release

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EU support for reforms in Ukraine ineffective in fighting grand corruption

Grand corruption and state capture are still widespread in Ukraine despite EU action, according to a special report published by the European Court of Auditors (ECA). The EU has been trying to address corruption in Ukraine as a cross-cutting priority; it has channelled funds and efforts through a variety of sectors, from the competition environment to the judiciary and civil society. But the support and measures put in place have not delivered the expected results, the auditors say.

For more than 20 years, the EU has been supporting Ukraine in its reform agenda. Tackling corruption, which is a major obstacle to a country's development and runs counter to EU values, is an integral part of that. Grand corruption and state capture are endemic in Ukraine; as well as hindering competition and growth, they also harm the democratic process. Tens of billions of euros are lost annually as a result of corruption. The European Commission, the European External Action Service (EEAS) and the EU advisory mission have attempted to address this issue, and have backed several reforms to reinforce the rule of law and to fight corruption in Ukraine.

The EU has long been aware of the connections between oligarchs, high-level officials, politicians, the judiciary and state-owned enterprises. However, it has not developed a real strategy for targeting grand corruption, the auditors note. For instance, illicit financial flows, including money-laundering, are addressed only at the margins. Nevertheless, the EU has supported many anti-corruption reforms and activities in Ukraine. In most cases, the degree of support depends on a number of conditions being met. But the Commission has often interpreted such requirements too loosely, leading to over-positive assessments. The auditors cite the visa-free system as an example. The operation of this system has not been reconsidered, even though two of the three conditions for EU support have not been achieved.

"Despite varied support the EU has offered to Ukraine, oligarchs and vested interests continue to undermine the rule of law in Ukraine and to threaten the country's development", said Juhan Parts, the member of the European Courts of Auditors responsible for the report. "Ukraine needs a focused and efficient strategy to tackle the power of oligarchs and diminish state capture. The EU can play a much more significant role than it has done so far."

The purpose of this press release is to convey the main messages of the European Court of Auditors' special report. The full report is available at eca.europa.eu.

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On the ground, EU aid has delivered only limited results. Its support for fighting anticompetitive structures and behaviours has focused on corporate governance and aligning Ukrainian laws with EU norms. With the exception of grants for independent media sources and activists, EU support has not focused on identifying grand corruption schemes involving public enterprises. But since so many companies in Ukraine are corrupt monopolies or oligopolies, the auditors argue that the EU should have acted more directly to remove obstacles to free and fair competition.

EU support for judicial reform has also not yielded sufficient results. Nevertheless, EU projects and capacity-building assistance have helped in redrafting the Ukrainian Constitution, as well as a large number of laws. They also supported the creation of a new Supreme Court, the auditors acknowledge. But these achievements are constantly at risk, with numerous attempts to bypass laws and water down reforms. These have caused major setbacks that EU measures have not been able to mitigate.

Similarly, the main anti-corruption institutions that the EU helped to set up are still struggling to make their presence felt. The entire system for investigating, prosecuting and judging high-level corruption cases is very fragile. While the High Anti-Corruption Court has started to show promising results, its effectiveness, independence and sustainability are regularly called into question. The National Anti-Corruption Bureau is another example. Although EU political support has helped to keep the Bureau operational and independent, it is constantly under threat and its rulings depend on factors such as prosecutors and forensics. If one link in the chain is weak, the whole cannot function properly, the auditors warn.

Background information

Ukraine is an EU Eastern Partnership country, and benefits from the European Neighbourhood Instrument, condition of which is compliance with the rule of law. The European Commission has committed around €5.6 billion to macro-financial assistance (MFA) programmes and €2.2 billion to assistance programmes since 2014. The Commission also guarantees European Investment Bank loans of €4.4 billion. The EU is the largest donor to Ukraine.

Special report 23/2021: “Reducing grand corruption in Ukraine: several EU initiatives, but still insufficient results” is available on the ECA website (eca.europa.eu) in 23 EU languages.

Later this year, the ECA will publish a report on EU support for the [rule of law in the Western Balkans](#).

The ECA presents its special reports to the European Parliament and the Council of the EU, as well as to other interested parties such as national parliaments, industry stakeholders and representatives of civil society. The vast majority of the recommendations made in the reports are put into practice.

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